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RUEHNE/AMEMBASSY NEW DELHI 0891
RUEHCG/AMCONSUL CHENNAI 0105
RUEHKP/AMCONSUL KARACHI 0154
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UNCLAS SECTION 01 OF 03 ASHGABAT 000660

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STATE FOR SCA/CEN (NICOLAIDIS AND SNELSIRE)

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TAGS: [ENRG](#) [PINR](#) [PREL](#) [PGOV](#) [TX](#) [US](#) [AF](#)

SUBJECT: Blame Game in Negotiating Sales of Turkmenistan's Energy to Afghanistan

REF: A. Ashgabat 523

[1](#)B. Ashgabat 317

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SUMMARY

[1](#)1. (U) While in Ashgabat to explore next steps in the bilateral relationship with President Berdimuhammedov's administration, SCA Deputy Assistant Secretary Evan Feigenbaum met on June 25 with Minister of Energy and Industry Yusup Dawudov to discuss how the USG might assist with ongoing negotiations for increased supply of Turkmenistan's electricity to Afghanistan. Dawudov stated that Turkmenistan is prepared to increase current supplies by 40 percent immediately upon completion of a 220KV line on the Afghan side to Herat. Regarding a new contract for additional quantities of electricity, Dawudov expressed frustration with the changing composition and the lack of technical specialists in past Afghanistani delegations, which created obstacles to resolving numerous outstanding technical issues. When pressed by DAS Feigenbaum to move forward concurrently on commercial discussions related to a new agreement, Dawudov stated that only President Berdimuhammedov could resolve the pricing issue. Next week's visit by Afghanistan's President Hamid Karzai to Ashgabat represents a prime opportunity to address price and quantity issues so that even greater quantities of Turkmenistan's electricity can flow southward. End Summary.

"WE CAN'T DO IT FOR YOU - BUT WE'RE HERE TO HELP BOTH SIDES"

[1](#)2. (U) SCA DAS Evan Feigenbaum met with Minister of Energy and Industry Yusup Dawudov on June 26 to discuss ways in which the USG might support ongoing negotiations for increased electricity supply

to Afghanistan. Thanking the minister for meeting recently with several USG representatives, DAS Feigenbaum noted that the considerable attention paid to this issue reflected its importance to the most senior levels of the USG. While acknowledging that, as a non-party to an eventual power purchase agreement (PPA), the USG had no direct role in the negotiations, DAS Feigenbaum stressed the U.S. interest in supporting both sides in pursuit of an agreement. To this end, he asked the outcome of the June 8-11 delegation to Ashgabat led by Afghanistan's Energy Minister Ismail Khan and how the USG might assist the process, if at all, in the future.

13. (U) Dawudov opened by stating that there are no problems with the existing supply contract. Afghanistan's consumption had increased by 10-15 percent over last year. Regarding a new contract for additional supplies, however, several obstacles remained. Turkmenistan was ready to increase sales by up to 40 percent on the Serhetabad-Herat line as soon as the voltage on the transmission line could be increased to 220 KV from the current 110 KV. (Note: Turkmenistan built its existing line to the border with 220 KV capacity, but Afghanistan only built a 110 KV line on its side of the border, so the current line operates at less than full capacity. Dawudov stated that Afghanistan's work to upgrade the line to 220 KV was 90 percent complete. End Note.)

14. (U) During the most recent negotiations, Dawudov stated, the parties reached tentative agreement for the proposed new line to cross the border at Imam-Nazar (Note: Near Khamyab in Afghanistan. End Note.) on its way to Mazar-i-Sharif. Although the Afghanistan side wanted the border crossing to be at Kerif, Turkmenistan refused since it would have crossed the Amu Darya river twice and required additional expenses. DAS Feigenbaum sought clarification of whether any agreement had, in fact, been signed at this meeting. Dawudov hedged his reply by stating that "the content of the protocol was defined." The minister then confirmed that a general protocol document containing only limited technical details was actually signed, and advised that it stated the price and quantity of any future sales would be determined at a later date.

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FRUSTRATED BY AFGHANISTAN'S CHANGING DEMANDS, PEOPLE

15. (U) When asked the next step by DAS Feigenbaum, the ministry's Foreign Economic Affairs Department chief Eziz Berdimyradov said that the recent Ismail Khan delegation had discussed construction routes, and that the Turkmenistan side knew what was needed to complete its obligations. If the Afghanistan side changed its proposed route, then Turkmenistan needed clarification. Dawudov added that both sides had exchanged technical documents so that they can begin working together. In order to increase electricity supplies in the near-term, Afghanistan must complete its work on the 220 KV line from the border to Herat. Although this would allow current supply to increase by 40 percent, Berdimyradov highlighted that a longer term concern was the lack of a local distribution network for the smaller cities around Herat. Without such a network -- and paying customers -- the full potential could not be realized.

16. (U) DAS Feigenbaum pressed for ideas on how the USG might be helpful. Berdimyradov replied that the USG must "provide financing and construction" for the expected remaining work on the Afghanistan side. Specifically, the Government of Afghanistan still needed to complete a new line from Mazar-i-Sharif to Turkmenistan's border before significant new supplies could be provided. Furthermore, Berdimyradov asked, who would pay for the electricity? He stated that, due to the current lack of an identified paying customer, Turkmenistan sought to clarify technical issues before moving to commercial points. Dawudov interjected that Turkmenistan's negotiating team was always the same, but those on the Afghan side of table were constantly changing. Noting that the USAID technical expert who participated in past delegations did not join the most recent discussions, USAID Representative in Turkmenistan, Ashley Moretz, suggested that USAID advisors could help navigate complicated technical issues if allowed to participate in the future.

¶7. Dawudov further stated that even Afghanistan's power requirements remained unclear. Although Afghanistan had asked Turkmenistan for its commitment to sell up to 300 MW of power, the currently proposed 220 KV line to Mazar-i-Sharif would not support deliveries at that level. For that reason, Turkmenistan had proposed to build a 500 KV line all the way to Mazar-i-Sharif, but USAID/Afghanistan had only committed to financing a 220 KV line. Also frustrating to Minister Dawudov was the apparent position of Ismail Khan during the last round of negotiations: Khan had asked for up to 700 MW -- Turkmenistan's entire electrical surplus -- for onward sales to Tajikistan.

ONLY "THE HIGHEST LEVELS" CAN RESOLVE PRICE

¶8. (U) Reiterating Ambassador Neumann's message to the Turkmen (Ashgabat 523), DAS Feigenbaum suggested that parallel discussions regarding cost and technical issues be conducted so that Afghanistan could make sound financial decisions among its potential suppliers. Dawudov responded that Turkmenistan must first conduct a feasibility study, since it could not currently supply the requested 300 MW via a single line. Berdimyradov stated that pricing for new electrical sales were set "at the highest levels" anyway, so the ministry still had to wait for a price agreement before concluding a commercial Power Purchase Agreement. He added that it was "in their best interests" for President Karzai to raise this issue when he meets with President Berdimuhammedov next week.

COMMENT

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¶9. (U) Both Afghanistan and Turkmenistan still seem to be talking past each other at this point. Afghanistan believes that Turkmenistan has possibly changed its policy, begun under President Niyazov, of providing low-cost electricity as a humanitarian gesture to western Afghanistan, where large numbers of ethnic Turkmen reside. On the other hand, Turkmenistan's Ministry of Energy and Industry does not have the authority to set pricing levels and so has remained focused exclusively on technical issues in recent discussions. Turkmenistan has been further frustrated by the changing composition and lack of technical specialists in recent Afghan delegations, which has prevented clarification of the outstanding technical questions that are within these delegations' mandate. These Turkmen complaints ring hollow, however, as the Afghanistani side at least is open to USG/USAID assistance whereas in Turkmenistan, direct contact with government bureaucracies still is largely nonexistent. If President Karzai can secure agreement on a price level for new electricity sales during his upcoming July 5-7 visit to Ashgabat, a major obstacle to more serious discussions on a Power Purchase Agreement will be removed. End Comment.

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